Supplementary information on the agenda of the Annual General Meeting on June 13, 2018

GRAMMER AKTIENGESELLSCHAFT
AMBERG

DEAR SHAREHOLDERS,

Thank you for your interest in our Company's Annual General Meeting for 2018.

The invitation to GRAMMER AG's Annual General Meeting for 2018 was duly published in Bundesanzeiger on May 7, 2018. The agenda for this year's Annual General Meeting comprises the following items:

- **ITEM 1** (Presentation of the approved GRAMMER AG annual financial statements and the approved consolidated financial statements, the management report of GRAMMER AG and the GRAMMER Group, the explanatory report of the Executive Board with respect to the disclosures in accordance with sections 289a and 315a of the German Commercial Code (Handelsgesetzbuch – HGB) and the report of the Supervisory Board for fiscal year 2017)
- **ITEM 2** (Resolution on the appropriation of net retained profits as of December 31, 2017)
- **ITEM 3** (Resolution on the ratification of the actions of the members of the Executive Board in fiscal year 2017)
- **ITEM 4** (Resolution on the ratification of the actions of the members of the Supervisory Board in fiscal year 2017)
- **ITEM 5** (Resolution on the selection of the auditor and the group auditor as well as the auditor of the interim financial statements for fiscal year 2018)
- **ITEM 6** (Election to the Supervisory Board)
- **ITEM 7** (Resolution to approve the remuneration system for members of the Executive Board)
- **ITEM 8** (Resolution on the creation of new authorized capital – with the possibility for excluding the shareholders' preemptive subscription rights – and corresponding amendments to the Articles of Association)
- **ITEM 9** (Resolution on the amendments to the Articles of Association)

The full agenda can be found on the Company's website at www.grammer.com under Investor Relations and Annual General Meeting.

The following pages set out supplementary information on the agenda of this year's Annual General Meeting. In particular, you can find detailed information on the pages 3 et seq. concerning the structure and methodology underlying the revised remuneration system for the members of the Executive Board, which you will be asked to approve under item 7 of the agenda. In addition, you will find additional information on items 2, 5 and 6 of the agenda.

We look forward to welcoming you to our Company's Annual General Meeting on June 13, 2018.

Yours sincerely,

GRAMMER AG
Management Board and Supervisory Board

1 SUPPLEMENTARY INFORMATION ON ITEM 2 OF THE AGENDA

RESOLUTION ON THE APPROPRIATION OF NET RETAINED PROFITS AS OF DECEMBER 31, 2017

The Executive Board and Supervisory Board propose the following appropriation of GRAMMER AG's net retained profits, totaling EUR 57,660,979.02 as of December 31, 2017:

a) distribution of EUR 15,346,338.75 as a dividend of EUR 1.25 per dividend-entitled share, and

b) carry-forward of the balance of EUR 42,314,640.27.

As a general principle, GRAMMER AG's dividend policy is based on the Company's consolidated net profit and not on its unappropriated surplus. The dividend ratio of 25–35% of consolidated net profit after tax targeted by the Company is a good figure for a sector which is as investment- and capital-intensive as the automotive components industry and allows us to secure the Company's future growth while providing the shareholders with an appropriate share in its success.

The proposed dividend of EUR 1.25 per dividend-entitled share for 2017 is based on the Company's actual business performance last year and does not factor in any exceptional strains arising in connection with our shareholders as we want to avoid any detrimental effect for them.

The total distribution amount for 2017 stands at EUR 15,346 thousand and is thus equal to 47% of consolidated net profit after tax. This puts it well above our target corridor as well as the figure distributed in the previous year.

	2017	2016
Consolidated net profit after tax (EUR k)	32,351	45,223
Total distribution for the year	15,346	14,579
Distribution ratio relative to consolidated net profit	47.4%	32.2%

2 SUPPLEMENTARY INFORMATION ON ITEM 5 OF THE AGENDA

RESOLUTION ON THE SELECTION OF THE AUDITOR AND THE GROUP AUDITOR AS WELL AS THE AUDITOR OF THE INTERIM FINANCIAL STATEMENTS FOR FISCAL YEAR 2018

Based on the recommendation of the Audit Committee, the Supervisory Board proposes the appointment of

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Nuremberg

as auditor and group auditor for fiscal year 2018, and to review, as needed, the abridged financial statements and interim management report contained in the semi-annual financial report as of June 30, 2018.

Oliver Sieger has been the lead auditor as defined in section 319a (1) sentence 4 of the German Commercial Code since the audit of the annual financial statements for 2013.

3 SUPPLEMENTARY INFORMATION ON ITEM 6 OF THE AGENDA

ELECTION TO THE SUPERVISORY BOARD

At the recommendation of its Nomination Committee, the Supervisory Board proposes the election of Dr.-Ing. Birgit Vogel-Heuser, Garching, Professor of Automation and Information Systems at the Technical University of Munich, as a representative of the shareholders on the Supervisory Board with effect from the end of the Annual General Meeting on June 13, 2018 until the end of the Annual General Meeting at which the shareholders pass a resolution to ratify the actions of the Supervisory Board for fiscal year 2019.

Prof. Dr.-Ing. Birgit Vogel-Heuser's curriculum vitae is set out below.

First name, last name:	Prof. Dr.-Ing. Birgit Vogel-Heuser
Place of residence:	Garching
Nationality:	German
Profession:	Electrical engineer, professor Professor of Automation and Information Systems at the Technical University of Munich.
Year of birth:	1961
Marital status:	Married

MEMBER OF GRAMMER AG'S SUPERVISORY BOARD SINCE:

July 26, 2017
Appointed until the 2018 Annual General Meeting

MEMBER OF THE FOLLOWING COMMITTEES OF GRAMMER AG'S SUPERVISORY BOARD:

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MEMBER OF THE STATUTORY SUPERVISORY BOARDS OR COMPARABLE DOMESTIC OR NON-DOMESTIC GOVERNANCE BODIES OF OTHER CORPORATIONS:

Supervisory Board of SMS group GmbH, Düsseldorf and SMS Holding GmbH, Düsseldorf

EDUCATION

1982–1987	Studied engineering at the Faculty of Electrical Engineering at RWTH University Aachen
1987–1991	Research assistant and postgraduate doctorate studies (doctor of engineering) at the Faculty of Engineering at RWTH University Aachen

PROFESSIONAL BACKGROUND

1991–1996	Head of department at G. Siempelkamp Maschinen- und Anlagenbau GmbH
1996–2000	Central department head / technical director at ATR Industrie-Elektronik GmbH
1996–1998	Professor and chair of Automation Technology at the Faculty of Electrical Engineering at the University of Hagen
2000	Phoenix Contact GmbH & Co. KG, Head of interfaces
2000–2006	Professor and head of the Department of Automation Technology / Process Informatics at the School of Electrical, Information and Media Engineering of Wuppertal University
2006–2009	Professor and head of the Department of Embedded Systems, Faculty of Electrical Engineering and Computer Science, University of Kassel
from 2009	Full professor of Automation and Information Systems, Faculty of Mechanical Engineering, Technical University of Munich

4 SUPPLEMENTARY INFORMATION ON ITEM 7 OF THE AGENDA

RESOLUTION TO APPROVE THE REMUNERATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD

Under section 120 (4) of the German Stock Corporation Act, the shareholders may pass a resolution to approve the remuneration system for the members of the Management Board. Such a resolution was last passed at the Company's Annual General Meeting held on May 26, 2011. In September 2017, the Supervisory Board passed a resolution to revise the remuneration system for the members of the Executive Board with effect from January 1, 2017. At the same time, the retirement benefit scheme for the members of the Executive Board was also revised. For this reason, the shareholders will be asked to approve the new system at this year's Annual General Meeting. The Executive Board and Supervisory Board recommend that the shareholders pass a resolution to approve the remuneration system for the Executive Board.

The basic elements of the restructured remuneration system for the members of the Executive Board are described in the section entitled "Principles of the remuneration system" in the 2017 remuneration report. The remuneration report forms part of the Group management report for 2017 and is reproduced on page 88 of the 2017 Annual Report.

Further information on the structure and methodology underlying the revised remuneration system for the members of the Executive Board can be found on the following pages.

ADOPTION OF A NEW REMUNERATION SYSTEM FOR THE MEMBERS OF THE EXECUTIVE BOARD OF GRAMMER AG

The Supervisory Board is responsible for reviewing the appropriateness of the remuneration of the Executive Board in regular intervals. An external remuneration expert was consulted for the purposes of this review. The review revealed scope for improvement in terms of the structure and composition of the remuneration as well as its amount.

The external appropriateness of the remuneration as a whole as well as the individual remuneration components was assessed on the basis of a horizontal comparison with the reference market (selection of peer companies). A total of 14 companies in Germany, all of which are active in automobiles and parts, industrial engineering and electronic and electrical equipment, were selected for the peer group primarily on the basis of revenue, employee numbers and market capitalization.

It was determined that under the old remuneration system the amount of remuneration was not in line with market standards and the share of the variable components in total remuneration was too low. In addition, the system did not include components oriented to changes in GRAMMER AG's share price.

In view of the shortcomings identified as well as the need to provide remuneration that is competitive by market standards, the new remuneration system was structured in consultation with an external remuneration expert and duly adopted by the Supervisory Board.

The remuneration of the members of the Executive Board should reflect the demanding nature of their responsibility for managing a global company that offers innovative and flexible solutions. It should reflect market requirements and be competitive, thus providing an incentive for committed and successful activities in a dynamic business environment.

The increase in the total remuneration paid to the Executive Board in 2017 chiefly results from the substantially greater weighting given to the variable components in the new remuneration system and target achievement. The new system aims to ensure that the remuneration paid reflects market standards and to make allowance for the short and long-term performance targets being achieved or exceeded, while securing a sustained increase in GRAMMER AG's enterprise value. Looking forward, the Supervisory Board will be regularly reviewing the appropriateness and structure of the remuneration system and making any necessary changes.

DESCRIPTION OF THE NEW REMUNERATION SYSTEM

As shown in the diagram below, the remuneration is composed of the following components:

Remuneration

Performance-tied remuneration

- LTI (long-term incentive)
Long-term multi-year incentive
- STI (short-term incentive)
Short-term single-year remuneration

Non-performance-tied remuneration

- Fixed remuneration
- Fringe benefits

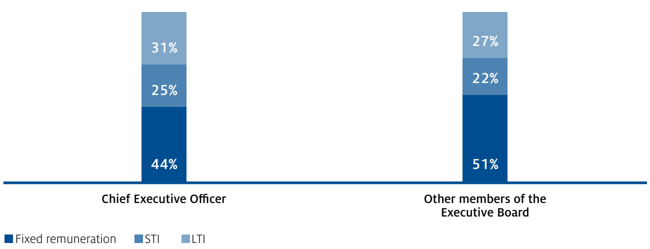
GRAMMER AG's new remuneration system meets all the requirements for modern and competitive remuneration of the members of the Executive Board and incorporates the principles of good corporate governance:

- Close orientation to business success and performance
- Inclusion of long-term goals
- Orientation to changes in the share price and enterprise value
- High transparency and clarity
- Bonus/penalty arrangement

Annual total target remuneration comprising fixed remuneration, a short-term incentive (STI) target and a long-term incentive (LTI) target is agreed upon with each member of the member of the Executive Board. The degree of achievement for STI and LTI may be between zero ("floor") and 200% ("cap").

STI and LTI are calculated on the basis of GRAMMER AG's consolidated financial statements. The consolidated financial statements are prepared in accordance with the applicable International Financial Reporting Standards (IFRS).

The STI and LTI targets are set at the Supervisory Board's due discretion. The new remuneration system is now oriented substantially more closely to the Company's business performance. Performance-tied target achievement now accounts for a share of 56% in the case of the Chief Executive Officer and 49% in the case of the other members of the Executive Board. Moreover, the remuneration structure is aligned to sustainable and long-term growth in the Company's enterprise value on the basis of GRAMMER AG's share price relative to the SDAX among other things. This is reflected in the heavy weighting given to the long-term multi-year remuneration component in the variable remuneration. It accounts for 31% of total remuneration in the case of the Chief Executive Officer and 27% in the case of the other members of the Executive Board (percentages without consideration of Bonus/penalty arrangement).



The multi-year remuneration component is measured on the basis of the Company's share performance. As before, the remuneration system for the members of the Executive Board contains no components such as stock option or stock award programs.

The individual components of GRAMMER AG's remuneration system for the members of the Executive Board are described below in greater detail.

Non-performance-tied remuneration

FIXED REMUNERATION

The fixed remuneration is paid in twelve equal monthly instalments less any statutory deductions in arrears at the end of each month.

ANCILLARY BENEFITS

The contractually guaranteed ancillary benefits primarily entail customary benefits such as advances towards insurance (e.g. contributions for pension insurance, health/nursing care insurance) and a company car.

Variable remuneration

SHORT-TERM, SINGLE-YEAR REMUNERATION (STI)

In addition to the fixed remuneration, all the members of the Executive Board receive short-term, single-year performance-tied remuneration (STI). The amount of STI is determined on the basis of the target amount, i.e. the amount to which the member of the Executive Board is entitled if he or she achieves 100% of his or her annual targets. The annual targets for the year in question are set by the Supervisory Board in the due exercise of its discretion. If the annual targets are exceeded, STI may exceed the target but is capped at a maximum of 200% of the target. If the annual targets are not reached in full, STI may fall short of the target or be forfeited in its entirety. If a member leaves the Executive Board during the year, STI is reduced on a time-proportionate basis.

STI is calculated for each year and depends on the achievement of budget targets defined for two parameters – the operating earnings margin before tax (operating EBT margin) and the return on capital employed (G-ROCE). Both factors count for half in the calculation of STI.

The operating EBT margin is calculated on the basis of the consolidated financial statements as follows: ratio of EBT for a given year to total revenue in the same year. This calculation is adjusted for currency-translation and other exceptional effects. The EBT margin is expressed as a percentage. The reason why the EBT margin is an important target parameter for calculating the amount of remuneration is that it is a crucial indicator of the Company's operating performance which materially includes operating EBIT as the core performance indicator.

G-ROCE is the ratio of the operating EBIT reported in the consolidated financial statements for the year in question to average operating assets in the same year and is expressed as a percentage. G-ROCE was defined as a financial performance indicator for managing the Group for the first time in 2017.

Financial targets (KPIs)
50% operating EBT margin
50% ROCE

Target achievement
0%–200%

STI total target achievement
0%–200%

STI remuneration
STI total remuneration (%) x
Target amount (€)

In the event of any extraordinary success or failures in the previous year, the Supervisory Board may decide at the end of the year in question to increase or decrease the short-term single-year remuneration by up to 10% of the fixed remuneration (bonus/penalty arrangement). With respect to 2017, it adopted a resolution to increase the short-term single-year remuneration by 10% of the fixed remuneration (previous year: 8.3% for the Chief Executive Officer and 8.6% for the other members of the Executive Board) in recognition of the high commitment shown by the Executive Board in securing the GRAMMER Group's future viability, protecting jobs and binding customers in the light of the critical changes in the Company's shareholder structure. In addition, the Supervisory Board took account of the strategic successes achieved (including the strategic partnership with Ningbo Jifeng) and the improvement in operating profitability in a very challenging year.

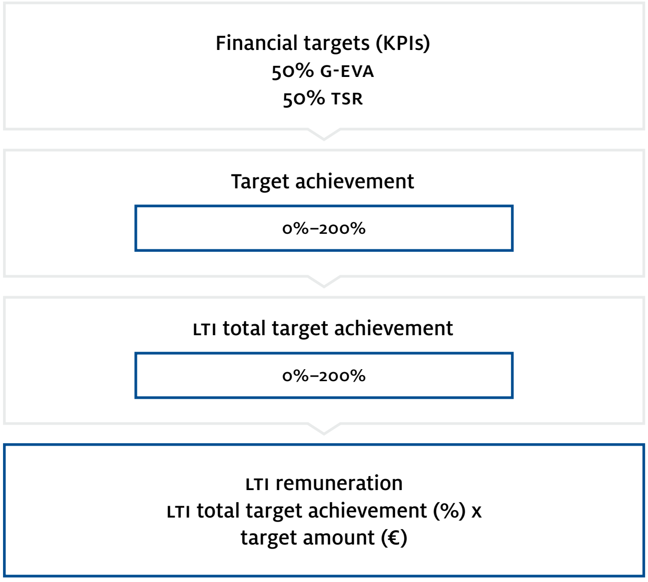
LONG-TERM, MULTI-YEAR REMUNERATION (LTI)
The revised LTI component additionally assures the members of the Executive Board of a long-term multi-year remuneration. Again, LTI is determined on the basis of the target amount, i.e. the amount to which the member of the Executive Board is entitled if he or she achieves 100% of his or her multi-year targets. If the multi-year targets are exceeded, LTI may exceed the target but is capped at a maximum of 200% of the target. If the annual targets are not reached in full, LTI may fall short of the target or be forfeited in its entirety. The LTI performance period is four years. If member leaves the Executive Board prematurely, LTI is reduced on a time-proportionate basis.

The amount paid depends on the achievement of certain targets, namely GRAMMER enterprise value added (G-EVA) and total shareholder return (TSR). GRAMMER AG may include further factors in the calculation of LTI particularly to take account of corporate social responsibility (CSR). A weighting of 40% G-EVA, 40% TSR and 20% CSR is being targeted in the medium term (i.e. from 2020 at the latest). Pending the definition of a CSR target, G-EVA and TSR are weighted evenly in the calculation of LTI, i.e. 50% of the LTI target depends on the achievement of the G-EVA target and 50% on the achievement of the TSR target. The following parameters have been defined for the calculation of the LTI:

G-EVA equals ROCE less WACC (weighted average cost of capital) calculated on the basis of the consolidated financial statements for the year in question. G-ROCE is calculated using the same definition as for STI. WACC expresses the expected return on the cost of capital employed.

The annual G-EVA targets for the years in question in the performance period are set by the Supervisory Board in the due exercise of its discretion. Target achievement is measured according to the ratio of four-year average real G-EVA to the average G-EVA annual targets for the same period.

TSR is calculated from the average of the annual percent change in the price of GRAMMER shares including the dividend paid per share during the four-year performance period relative to the average annual percentage change in the SDAX during the same period.



Under transitional arrangements, the long-term bonus granted under the old remuneration system will continue to be granted until December 31, 2019. In addition, the members of the Executive Board receive the difference between the target long-term bonus and the new LTI target for each year in this period corrected for total LTI target achievement for the year in question.

MINIMUM AND MAXIMUM REMUNERATION UNDER THE NEW REMUNERATION SYSTEM
The minimum remuneration equals the amount of the fixed remuneration. The degree of achievement for STI and LTI may be between zero (“floor”) and 200% (“cap”).

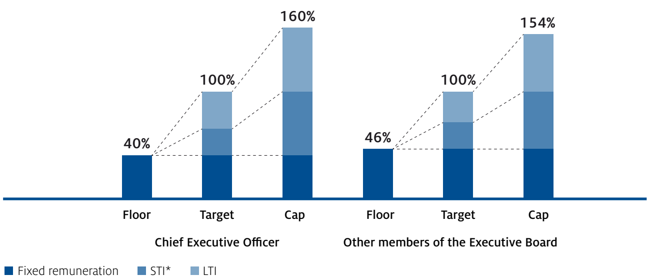
A cap of 160% (Chief Executive Officer) and 154% (other members of the Executive Board) applies to the total target remuneration. This cap is reached if both the maximum STI target and the maximum LTI target are paid and the Supervisory Board additionally approves a 10% bonus on top of the fixed remuneration in recognition of outstanding successes in the past fiscal year.

- The maximum possible STI amount is reached if achievement for both target parameters comes to 200%. This results in a total STI payout of 200%.
- The maximum possible LTI amount is reached if achievement of the G-EVA target and the TSR target comes to 200% of the contractual target in both cases.

Target achievement	HARTMUT MÜLLER CHIEF EXECUTIVE OFFICER / CEO				GÉRARD CORDONNIER MEMBER OF THE EXECUTIVE BOARD / CFO				MANFRED PRETSCHER MEMBER OF THE EXECUTIVE BOARD / COO			
	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed remuneration	601,500	601,500	601,500	601,500	404,000	404,000	404,000	404,000	404,000	404,000	404,000	404,000
STI*	116,004	341,325	0	742,800	77,914	171,450	0	383,300	77,914	171,450	0	383,300
LTI	141,782	417,175	0	834,350	95,229	209,550	0	419,100	95,229	209,550	0	419,100
Total	**859,286**	**1,360,000**	**601,500**	**2,178,650**	**577,143**	**785,000**	**404,000**	**1,206,400**	**577,143**	**785,000**	**404,000**	**1,206,400**

* Including Bonus/penalty

The following diagram illustrates the relationship between the fixed remuneration and the performance-tied remuneration components in the target remuneration defined for the members of the Executive Board for 2017 as well as the maximum possible remuneration.



* STI percentage includes bonus/penalty arrangements

TERMINATION BENEFITS FOR MEMBERS OF THE EXECUTIVE BOARD

CONTRACTUAL TERMINATION BENEFITS FOR MEMBERS OF THE EXECUTIVE BOARD

POST-RETIREMENT BENEFITS

At the same time as the new remuneration system for the Executive Board of GRAMMER AG was introduced, the retirement benefit scheme for the members of the Executive Board was also revised. The defined benefit commitments under the previous retirement benefit contracts have been replaced in full by the new arrangements for retirement benefits in the form of defined-contribution benefits. Retirement benefits now take the form of a capital account plan, to which the Company allocates an annually calculated amount for each member of the Executive Board. The entitlement to retirement benefits vesting in the members of the Executive Board up until January 1, 2017 was converted into an equivalent capital amount calculated on the basis of actuarial principles. Provided that the applicable conditions for eligibility are satisfied, retirement benefits are paid as retirement capital or invalidity capital and to the spouse in the form of surviving dependents capital. Named partners living in marriage-like cohabitation have the same status as spouses.

In addition to the entitlement to retirement benefits, members of the Executive Board are able to make further contributions to their pension plans by means of deferred compensation.

Retirement benefits are provided when a member of the Executive Board leaves the Company upon reaching the age of 62 years.

GRAMMER provides for annual retirement benefit expense for the service period eligible for retirement benefits. After the deduction of administration costs of 2%, 98% of the amount is allocated to the member's personal retirement benefit plan, which is currently subject to interest of 0.9% p.a. The retirement benefit allocations are made to a separate trust fund established solely for the purposes of retirement benefits. Otherwise, the statutory vesting rules apply.

The following table sets out the individualized retirement benefit commitments accruing to the members of the Executive Board:

DEFINED-BENEFIT OBLIGATIONS (DBO) FOR "DEFINED-CONTRIBUTION BENEFIT COMMITMENTS"

EUR K	HARTMUT MÜLLER CHAIRMAN OF THE EXECUTIVE BOARD/CEO	GÉRARD CORDONNIER MEMBER OF THE EXECUTIVE BOARD/CFO	MANFRED PRETSCHER MEMBER OF THE EXECUTIVE BOARD/COO	TOTAL
DBO as of Jan. 1, 2016	961	43	592	1,596
Less fair value of plan assets as of Jan. 1, 2016	0	0	0	0
Provisions as of Jan. 1, 2016	**961**	**43**	**592**	**1,596**
Change in DBO in 2016	327	74	185	586
Change in plan assets in 2016	0	0	0	0
DBO as of Dec. 31. 2016	1,288	117	777	2,182
Less fair value of plan assets as of Dec. 31, 2016	0	0	0	0
Provisions as of Dec. 31, 2016	**1,288**	**117**	**777**	**2,182**
Change in DBO in 2017	725	164	283	1,172
Change in plan assets in 2017	2,013	281	1,042	3,336
DBO as of Dec. 31. 2017	2,013	281	1,060	3,354
Less fair value of plan assets as of Dec. 31, 2017	2,013	281	1,042	3,336
Provisions as of Dec. 31, 2017	**0**	**0**	**18**	**18**

CONTRACTUAL BENEFITS FOR MEMBERS OF THE EXECUTIVE BOARD IN THE EVENT OF EARLY TERMINATION

SETTLEMENT PAYMENTS

In the event of the premature termination of the service contract of the member of the Executive Board, the settlement payable is capped at twice the annual amount of remuneration provided for in the service contract in question.

The service contracts entered into with the member of the Executive Board include a change-of-control clause, under which each member of the Executive Board has a special right of termination which may be exercised within three months of a change of control. If the special right of termination is exercised, the terminating party may claim 150% of the settlement cap agreed upon in the service contract equaling the total remuneration for a two-year period.

BENEFITS PAID TO FORMER MEMBERS OF THE EXECUTIVE BOARD

Retirement benefits of EUR 271 thousand (2016: EUR 269 thousand) were paid in 2017 to former managers and members of the Executive Board leaving the Company prior to January 1, 2017 and their surviving dependants. At the end of the year, defined-benefit retirement benefit liabilities of EUR 6,377 thousand (2016: EUR 6,390 thousand) were due to former managers and members of the Executive Board leaving the Company and their surviving dependants. GRAMMER AG has access to plan assets of EUR 321 thousand (2016: EUR 309 thousand) to honor these obligations.

OTHER DISCLOSURES ON THE EXECUTIVE BOARD

GRAMMER AG did not grant any advances towards future remuneration payments or loans to members of the Executive Board in 2017 or earlier years. Nor did it assume any contingent liabilities in favor of these parties during this period.

GRAMMER AG maintains a group policy for directors and officers (D&O) liability insurance. It is taken out for one year at a time and renewed annually. The policy covers the risk of personal liability arising from any claims for financial loss asserted against the insured persons as a result of the performance of their management duties. In accordance with section 93 (2) of the German Stock Corporation Act, the D&O cover includes a deductible for the members of GRAMMER AG's Executive Board.